

Message

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Sent: 6/8/2016 11:59:10 PM
To: Jamie Rosenberg [REDACTED]@google.com]
Subject: email

TLDR: Apple announced some app store changes today: Ads and new rev share for subscriptions. This was nicely packaged as a App Store 2.0 story, but represents mostly catch up and remedies for several unsustainable terms they've had in rev shares. Play and Ads launched Search Ads in Play last year, and has been offering the same 85/15 subscription rev share to media companies since 2015. That said, this move signals much more serious approach from Apple around their subscription billing platform -- we have been investing here but will be looking at intensifying our focus here in the near future.

As many of you saw, Apple pre-announced some changes to it's app store today. There were three main components to the announcement:

- **Ads in the App Store** (which was expected) As you recall Play + Ads have launched this last year with positive press.
- **Reduction in review time** to 24 hours for 50% of apps and 48 hours for the remainder. This has been a big pain point for developers. Play currently has a 2 hour SLA for reviews which we meet over 99%+ of the time.
- **Expansion of eligible apps for subscription billing** to all categories and a reduction in rev share from 70/30 to 85/15 for subscriptions which have lasted more than a year. (e.g. the rev share starts at 70/30 and then a year later drops to 85/15 for users who renew their subscriptions)

Our thoughts on the subscription announcement:

- **Apple has been under a lot of pressure from media subscription companies** (e.g. Spotify, Netflix) **and users (and possibly regulators)** that 70/30 rev share is too expensive given their significant content costs. We believe this is one of the major motivators for Apple's change here. Many services like Spotify, highly encourage users to sign up on the web not through the app to avoid the fees.
- **Play has allowed subscriptions for all categories for many years and the same 85/15 rev share to media companies since 2015:** We have had a behind the scenes effort called the Living Room Accelerator Program (LRAP) since April of 2015 that has been offering 85/15 rev share to media partners. It has been pretty successful in getting partners to adopt our billing and grow their business on android (netflix, showtime, HBONow etc) but we had shied away from talking about it publicly and instead discussed it with top partners directly. LRAP is not a publicized external program, although we are working to change that -- pls get in touch with Play BD before discussing LRAP with an external partner.
- **Subscription apps are the fastest growing revenue category and largest revenue category in the US outside of games.** LRAP contributed significantly to this acceleration.
- **We suspect the move of rev share from 70/30 to 85/15 only in year 2 is a way to avoid giving this deal to everyone** -- but likely they have side deals with the big players to give them this rev share right away.
- **Apple did do a very nice job packaging what is mostly catch up:** They put the ads announcement, and the subscription rev share change into a new App Store 2.0 style story line. It is unfortunate we did not get out in front of this as we could have done the same before them.

All this said, this move signals much more serious approach from Apple around their subscription billing platform -- we have been investing here but will be looking at intensifying our focus here in the near future.

Sameer and Jamie

EXHIBIT 5580